


MEMORANDUM NOTICE

To: CREDIT COMMITTEE
From: Lee Krueger 
Subject: **REGULAR CREDIT COMMITTEE MEETING
AUGUST 25, 2020 – 2:00 P.M.**

Date: August 20, 2020

Chair Mullin is calling a meeting of the Credit Committee for **Tuesday, August 25, 2020, at 2:00 p.m.** Chair Mullin has determined, due to the emergency declared by the Governor of Minnesota and the Mayor of Saint Paul regarding the COVID-19 health pandemic, that it is not practical nor prudent for the Saint Paul Port Authority Credit Committee and members of the staff to meet in-person or pursuant to Minnesota Statutes, Section 13D.02. In light of the COVID-19 health pandemic, it is not feasible for any member of the Saint Paul Port Authority Credit Committee and staff to be present at the regular location, and all staff and Committee members of the Saint Paul Port Authority will attend this meeting by telephone or other electronic means.

It is also not feasible for members of the public to attend the meeting at its regular location due to the health pandemic and emergency. Accordingly, no meeting will be held at the Saint Paul Port Authority offices which are located at 380 St. Peter Street, Suite 850, St. Paul, MN. Members of the public may monitor this meeting remotely at 651-395-7858, Conference ID: 341 511 466#. The purpose of the meeting is:

Minutes

Approval of Minutes of the July 28, 2020 Regular Credit Committee Meeting

Conflict of Interest

Conflicts with any items on the agenda

Agenda Items

1. Value Homes, LLC – Approval of a \$94,000 Trillion BTU Loan
2. Joseph and Rhonda Wingert – Approval of a \$93,000 Trillion BTU Loan
3. Kevin and Julie Ortenblad and Tim Barber – Approval of a \$117,000 Trillion BTU Loan
4. Such other business that may come before the Committee

**SAINT PAUL PORT AUTHORITY
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING
JULY 28, 2020**

The regular meeting of the Port Authority Credit Committee was held on July 28, 2020 at 1:50 p.m. via Microsoft Teams.

The following Committee Members were present:

Don Mullin	John Bennett	Paul Williams
Brianne Hamm	Matt Hill	John Marshall

Also present were the following:

Lee Krueger	Todd Hurley	Monte Hilleman
Michael Linder	Pete Klein	Dana Krueger
Ann Kosel	Tonya Bauer	David Johnson
Nelly Chick	Andrea Novak	Linda Williams
Laurie Siever	George Hoene	
Linda Tran, Saint Paul Port Authority Intern		
Eric Larson, City of Saint Paul		
Nneka Constantino, Merrill Lynch		
Councilmember Dai Thao, City of Saint Paul		
Jenny Boulton, Kennedy-Graven		

APPROVAL OF MINUTES

Committee Member Williams made a motion to approve the minutes of the June 23, 2020 Credit Committee meeting. The motion was seconded by Committee Member Marshall, submitted to a roll call vote and carried unanimously.

CONFLICT OF INTEREST

There were no conflicts of interest with any items on the agenda.

AGENDA ITEMS

**HMONG EDUCATION REFORM COMPANY AND HMONG COLLEGE
PREP ACADEMY – AUTHORIZATION FOR THE ISSUANCE OF BANK-QUALIFIED
TAX-EXEMPT CONDUIT REVENUE BONDS IN THE APPROXIMATE AMOUNT OF \$7,000,000**

Mr. Klein reviewed his memorandum requesting approval for the Port Authority to issue approximately \$7,000,000 of bank-qualified conduit tax-exempt revenue bonds to be used to partially finance the acquisition, construction and equipping of a new approximately 93,000 square foot middle school with approximately 45 classrooms, a new gym, robotics suit, offices, and other support areas on three floors and remodeling of an approximately 13,500 square foot

portion of the existing school facility and an approximately 3,000 square foot addition thereto to connect the existing building and the new building via skyway all located at 1515 Brewster Street, Saint Paul, Minnesota. Committee Member Williams made a motion to approve the request. The motion was seconded by Committee Member Hamm, submitted to a roll call vote and carried unanimously.

**FINISH LINE WELLNESS GROUP, LLC D/B/A CONQUER NINJA GYM
APPROVAL OF A \$375,000 BDF LOAN – TREASURE ISLAND CENTER**

Mr. Linder reviewed his memorandum with the Committee requesting approval for the Port Authority to initiate a Business Development Fund (BDF) Loan for \$375,000 with Finish Line Wellness Group, LLC d/b/a Conquer Ninja Gym to finance the purchase of equipment to operate a ninja gym at Treasure Island Center (TIC) in Saint Paul, Minnesota. Committee Member Marshall made a motion to approve the request. The motion was seconded by Committee Member Bennett, submitted to a roll call vote and carried unanimously.

**FINISH LINE WELLNESS GROUP, LLC D/B/A FINISH LINE WELLNESS
APPROVAL OF A \$550,000 BDF LOAN – TREASURE ISLAND CENTER**

Mr. Linder reviewed his memorandum with the Committee requesting approval for the Port Authority to initiate a Business Development Fund (BDF) Loan for \$550,000 with Finish Line Wellness Group, LLC d/b/a Finish Line Wellness to finance the purchase of equipment to operate a wellness center at Treasure Island Center (TIC) in Saint Paul, Minnesota. Committee Member Marshall made a motion to approve the request. The motion was seconded by Committee Member Williams, submitted to a roll call vote and carried unanimously.

STRONG SCOTT, LLC – APPROVAL OF A \$210,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval for the Port Authority to initiate a Trillion BTU loan for approximately \$210,000 with Strong Scott, LLC for the installation of a new roof and insulation on a commercial property located in St. Paul, Minnesota. Committee Member Hamm made a motion to approve the request. The motion was seconded by Committee Member Bennett, submitted to a roll call vote and carried unanimously.

**CAROLYN AND JAMES BOSTON AND TAE KWON DO
TRADITIONS, INC. – APPROVAL OF A \$33,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval for the Port Authority to initiate a Trillion BTU loan for approximately \$33,000 with Carolyn and James Boston and Tae Kwon Do Traditions, Inc. for the installation of 12-kW solar array a commercial property located in Minneapolis, Minnesota. Committee Member Williams made a motion to approve the request. The motion was seconded by Committee Member Marshall, submitted to a roll call vote and carried unanimously.

BAYOU ALLEY FLATS, LLC – APPROVAL OF A \$121,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval for the Port Authority to initiate a Trillion BTU loan for approximately \$121,000 with Bayou Alley Flats, LLC for the installation of a solar array on a commercial property located in St. Joseph, Minnesota. Committee Member Bennett made a motion to approve the request. The motion was seconded by Committee Member Hamm, submitted to a roll call vote and carried unanimously.

DEED LOAN GUARANTEE PROGRAM SUMMARY – JULY 2020

Mr. Linder reviewed the DEED loan guarantee program summary for the month of July.

OTHER BUSINESS

There being no further business, the meeting was adjourned at 2:32 p.m.

By: _____

Its: _____

MEMORANDUM

To: CREDIT COMMITTEE

From: Michael J. Linder *MJL*

Subject: **VALUE HOMES, LLC**
APPROVAL OF A \$94,000 TRILLION BTU LOAN

Meeting Date: August 25, 2020

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$94,000 with Value Homes, LLC. for the installation of 40-kW solar array on a commercial property located in Minneapolis, Minnesota.

Public Purpose:

The Trillion BTU Revolving Loan Fund was established with a grant from the State of Minnesota via a Federal stimulus grant for energy conservation and the retention and expansion of jobs in the State. Additionally, the Minnesota Legislature has mandated that all utilities attempt to reduce existing customer energy usage by 1.5% annually.

Business Subsidy:

Loans under the Trillion BTU Fund are not subject to business subsidy reporting because they are for energy efficiency projects.

Background:

Value Homes, LLC is building a 26,000 square foot apartment complex with 20 units comprised of three affordable and 17 market rate apartments. The property is in construction and has an appraised value of \$6,550,000. It is located at 907 Winter Street NE in Minneapolis. The owner is installing a 40-kW solar array on the roof to utilize clean energy on the property.

Proposed Project:

40-kW Solar Array

Purchase Price and Installation	\$94,000
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Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$94,000
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Uses of funds:

40-kW Solar Array	\$94,000
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Hennepin County is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funding source.

Financial Analysis:

Proforma financial statements were received showing gross rents for the property. The loan-to-value as constructed will be 76%. Since this is a new construction project, a debt coverage ratio is not available. With the proposed rents a debt service coverage ratio would be 1.62 to 1 once stabilized. Tax returns were also received through December 31, 2018 for the owner, who is a realtor. There is sufficient personal income to support the debt on the new property, as well as the security of the PACE assessment, limiting the liability of the Port Authority. The following ratios are as of December 31, 2018:

Debt Service Coverage:	N/A	Trillion standard of at least:	1.15
Debt-to-Equity:	N/A	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	40-kW Solar Array
Amount of Loan:	\$94,000
Rate:	4.25%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

160 MMBTUs (\$5,400) annually.

Renewable Energy Rebates and Incentives:

The borrower is eligible to receive additional incentives including the investment tax credit equal to 30% of the system's cost, accelerated depreciation and performance-based incentives through the local utility.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.
1 FTE for construction jobs.

Policy Exceptions:

Yes – This is a new construction project without historic financial statements. The security of the PACE assessment and tax returns of the owner limit this liability.

Recommendation:

We recommend the approval of a \$94,000 Trillion BTU loan to Value Homes, LLC.

MEMORANDUM

To: CREDIT COMMITTEE

From: Michael J. Linder *MJL*

Subject: JOSEPH AND RHONDA WINGERT
APPROVAL OF A \$93,000 TRILLION BTU LOAN

Meeting Date: August 25, 2020

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$93,000 with Joseph and Rhonda Wingert for the installation of 40-kW solar array on a commercial property located in Millville, Minnesota.

Public Purpose:

The Trillion BTU Revolving Loan Fund was established with a grant from the State of Minnesota via a Federal stimulus grant for energy conservation and the retention and expansion of jobs in the State. Additionally, the Minnesota Legislature has mandated that all utilities attempt to reduce existing customer energy usage by 1.5% annually.

Business Subsidy:

Loans under the Trillion BTU Fund are not subject to business subsidy reporting because they are for energy efficiency projects.

Background:

Joseph and Rhonda Wingert own a farm located at 59366 County Road 23 in Millville, MN. The property has a tax assessed value of \$1,568,300. They are installing a 40-kW solar array to offset energy use from grain drying and livestock operations.

Proposed Project:

40-kW Solar Array

Purchase Price and Installation	\$93,000
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Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$93,000
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Uses of funds:

40-kW Solar Array	\$93,000
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Wabasha County is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funding source.

Financial Analysis:

Tax returns for the last three years through 2018 show that the farm operation was profitable with additional W-2 income. A debt-to-equity ratio with the borrower's current debt is 3.28 to 1 and with the PACE loan would be 2.54 to 1. A debt-to-equity ratio from their personal financial statement is 0.18 to 1. The following ratios are as of December 31, 2018:

Debt Service Coverage:	3.28	Trillion standard of at least:	1.15
Debt-to-Equity:	0.18	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	40-kW Solar Array
Amount of Loan:	\$93,000
Rate:	4.25%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

159 MMBTUs (\$5,400) annually.

Renewable Energy Rebates and Incentives:

The borrower is eligible to receive additional incentives including the investment tax credit equal to 30% of the system's cost, accelerated depreciation and performance-based incentives through the local utility.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.
1 FTE for construction jobs.

Policy Exceptions:

None.

Recommendation:

We recommend the approval of a \$93,000 Trillion BTU loan to Joseph and Rhona Wingert.

MEMORANDUM

To: CREDIT COMMITTEE

From: Michael J. Linder *MJL*

Subject: **KEVIN AND JULIE ORTENBLAD AND TIM BARBER
APPROVAL OF A \$117,000 TRILLION BTU LOAN**

Meeting Date: August 25, 2020

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$117,000 with Kevin and Julie Ortenblad and Tim Barber for the installation of LED lighting retrofit on a commercial property located in New London, Minnesota.

Public Purpose:

The Trillion BTU Revolving Loan Fund was established with a grant from the State of Minnesota via a Federal stimulus grant for energy conservation and the retention and expansion of jobs in the State. Additionally, the Minnesota Legislature has mandated that all utilities attempt to reduce existing customer energy usage by 1.5% annually.

Business Subsidy:

Loans under the Trillion BTU Fund are not subject to business subsidy reporting because they are for energy efficiency projects.

Background:

Kevin and Julie Ortenblad own a hydroponic lettuce farm located at 3825 County Road 40 NE in New London. They are planning to install high efficiency LED lighting for the growing operation. The property is on a contract for deed with Tim Barber. The tax assessed value is \$587,100, limiting the PACE loan to \$117,000.

Proposed Project:

LED Lighting Retrofit

Purchase Price and Installation	\$235,000
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Sources and Uses of Funds:

Sources of funds:

Personal Investment	\$118,000
Trillion BTU	\$117,000

Uses of funds:

LED Lighting Retrofit	\$235,000
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Kandiyohi County is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that the special assessment

is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funding source.

Financial Analysis:

Personal tax returns and financial statements were received through 2019. The business is a new operation, so the company has had losses in 2019 during startup. The projections for 2020 show the company should be profitable at the end of the year. Revenue has increased significantly over the past year and distribution and crop sales are contributing to that. The lighting upgrade will provide significant savings as well. A debt-to-equity ratio was not applicable since a balance sheet was not available. The loan to tax assessed value on the property was 87% with the contract for deed. The following ratios are as of December 31, 2019:

Debt Service Coverage:	Negative	Trillion standard of at least:	1.15
Debt-to-Equity:	N/A	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	LED Lighting Retrofit
Amount of Loan:	\$117,000
Rate:	4.25%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

1,400 MMBTUs (\$47,500) annually.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.
2 FTE for construction jobs.

Policy Exceptions:

Yes - The company had losses since it is a new company. With the losses they did not meet their debt service coverage ratio. This is mitigated by the security of the PACE assessment and the increasing revenue of the company.

Recommendation:

We recommend the approval of a \$117,000 Trillion BTU loan to Kevin and Julie Ortenblad and Tim Barber.

Trillion BTU / PACE Loan Summary
For the month of August 2020

	Joseph & Rhonda Wingert	Kevin & Julie Ortenblad / Tim Barber	Value Homes, LLC
Borrower			
Loan Amount	\$ 93,000	\$ 117,000	\$ 94,000
Interest Rate	4.25%	4.25%	4.25%
Term (Years)	10	10	10
Collateral			
Signed Loan Agreement	Y	Y	Y
Personal Guaranty	N	N	N
PACE Special Assessment	Y	Y	Y
Project Description	Solar	LED Lighting	Solar
Sources & Uses			
Sources of Funds:			
Trillion BTU	\$ 93,000	\$ 117,000	\$ 94,000
Other Funding Sources			
Total Sources	\$ 93,000	\$ 117,000	\$ 94,000
Uses of Funds:			
HVAC			
LED Lighting		\$ 117,000	
Solar Array	\$ 93,000		\$ 94,000
Boiler			
Other			
Total Uses	\$ 93,000	\$ 117,000	\$ 94,000
Financial Ratios			
Debt Service Coverage (Std > 1.15)	3.28	Neg.	N/A
Debt-to-Equity (Std < 4.00)	0.18	N/A	N/A
Profitable in 2 of last 3 years (Y/N)	Y	N	N
Policy Exception (Y/N)	N	Y	Y
Annual Energy Savings			
MMBTUs	159	1,400	160
Dollars	\$ 5,400	\$ 47,500	\$ 5,400
Workforce Implications			
Construction Jobs	1	1	1